Currents

- VISIBLE MINORITIES IN THE WEST
- AEROSPACE IN MANITOBA
- THE GREEN ECONOMY

CanadaWest FOUNDATION

Western Canada's Monthly Economic Bulletin

Vol. 2010, No. 3

Monthly Highlights

Canada's economic recovery now looks more solid. Real gross domestic product (GDP) increased 1.2% in the fourth quarter (October-December) compared to the third quarter. This was the largest quarterly increase since the third quarter of 2000. Canada's domestic economy showed vitality as final domestic demand advanced 1.1%, led by increases in personal expenditures, government expenditures, and investment in residential structures. Additionally, export volumes rose for a second consecutive quarter, outpacing imports.

In February, the employment situation in the West showed little change as job creation in BC and Saskatchewan was offset by a 15,000 employment drop in Alberta. Unlike the other western provinces, Alberta's job levels are still significantly (-3.5%) below their pre-recession level of October 2008.

In December, retail sales were up all across the West compared to November. Retail sales in Alberta reached $4.7 billion, the highest level in a year, pointing to renewed consumer confidence despite job losses in the province. In December as well, wholesale trade in Manitoba declined 0.8% from the previous month, a minor setback compared to the 7.2% gain posted by the province in November.

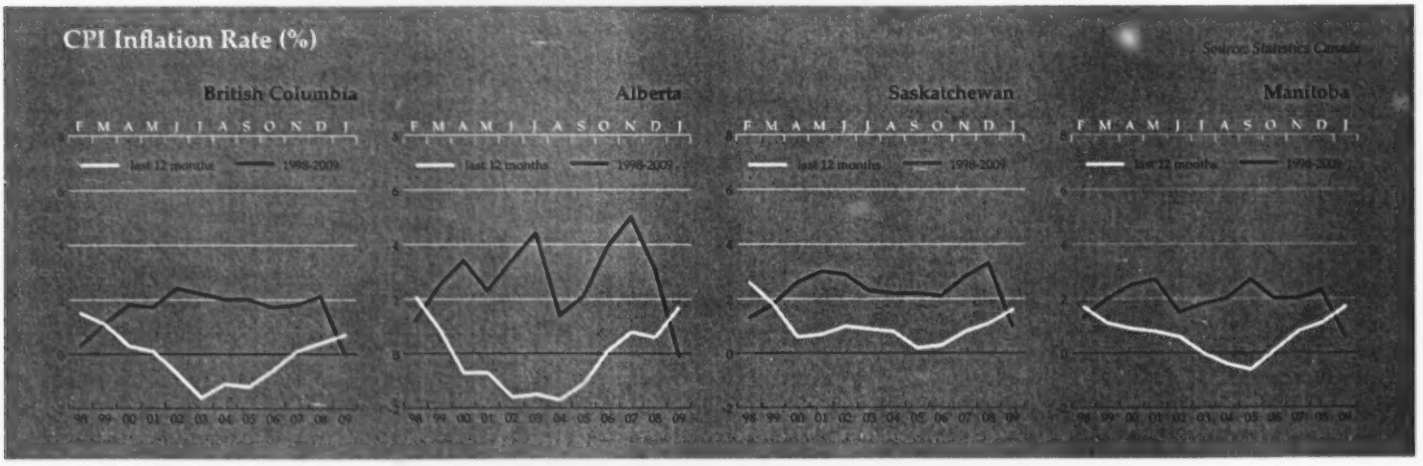
Inflation picked up speed across the West in January, mainly as a result of higher gasoline and natural gas consumer prices. The year-to-year inflation rate averaged 1.7% in Alberta, Saskatchewan and Manitoba, reaching a pace not seen in a year. At 0.7%, inflation in BC was lower and well below the national average.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,290	1,973	524	611	16,945	February
% change	0.4	-0.7	0.8	-0.2	0.1	
Unemployment rate (%)	7.7	6.9	4.3	5.4	8.2	February
change in percentage points	-0.4	0.3	-0.4	0.0	-0.1	
Participation rate (%)	66.2	73.0	69.6	69.4	67.0	February
Average weekly earnings ($)	810.07	959.40	832.56	775.40	837.08	December
% change	1.4	-0.3	1.9	-0.3	0.9	
Inflation						
Consumer Price Index (% change)*	0.7	1.7	1.6	1.7	1.9	January
Economic Activity						
Housing starts (000s)**	27.6	23.5	6.4	5.1	185.4	January
% change	21.1	-13.9	56.1	50.0	5.9	
Retail trade ($M)	4,630	4,742	1,187	1,280	35,299	December
% change	0.1	1.8	0.9	0.3	0.4	
Wholesale trade ($M)	4,171	4,918	1,289	1,119	42,830	December
% change	1.9	3.9	1.1	-0.8	0.7	
Manufacturing sales ($M)	2,690	4,738	905	1,184	43,022	December
% change	-2.3	0.7	0.9	5.0	1.6	

** Compared to same month in the previous year. ** Annual rate (monthly figures are multiplied by 12 to reflect annual levels). Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corp.*

Currents is sponsored by:

CANADIAN WESTERN BANK


CPI Inflation Rate (%)
Source: Statistics Canada
British Columbia
Alberta
Saskatchewan
Manitoba
F M A M J J A S O N D J
last 12 months
1998-2009
98 99 00 01 02 03 04 05 06 07 08 09

Monthly Feature

The West's Changing Face(s)

Many Canadians visiting Vancouver or Toronto for the first time go through a "mini-cultural-shock" when they discover how visibly diverse the local population is in those cities. With more than one-third of their residents belonging to a visible minority, Vancouver and Toronto no longer have the white-bread look presented by Canada just a few decades ago.

According to projections recently released by Statistics Canada, the multi-ethnic mosaic will rapidly spread to other parts of Canada. By 2031, population diversity will have increased all over the country. In the West, the visible-minority population will grow by 135% while the non-minority population edges up by only 15%. Consider this: Alberta's population will be more diverse in 2031 than BC's population is right now. That's quite a shift.

A number of factors are causing this. Immigration to Canada is now the main source of population growth, and three-quarters of immigrants are from visible minorities. In addition, visible minorities living in Canada are younger on average than non-minorities, and they tend to have more children.

In the West, the growth of the visible minority population will be urban, just like in the rest of the country. Canada's visible minorities already live overwhelmingly in large cities. (Only 4% of them do *not* live in metropolitan areas.) This will not abate because new Canadians prefer to settle in areas where they can find an established, familiar network. By the time we reach 2031, Abbotsford and Calgary will have joined Vancouver and Toronto in the select "visible-minority-higher-than-33%" club. The only other Canadian city to do so will be Ottawa.

This growth will change the ranking of visible minorities in Alberta and Saskatchewan where currently Chinese minorities are the largest group. By 2031, visible minorities from South Asia (e.g., East Indian, Pakistani, Punjabi, Sri Lankan) will be the largest group in Alberta at 6.8% of the overall population. In Saskatchewan black minority groups will be ranked first, at 1.4%.

What does this mean for the future, apart from incredible diversity in restaurant selection? For one thing, expect more pressure for the "public" face of Western Canada to change. Many groups already deserve to be better represented in politics, the arts and the media. Twenty years from now, will the public sphere reflect the West's population as a whole, with one person out of three being from a visible minority group?

Also, it should come as no surprise if our priorities and interests become less focused on Europe and pay more attention to Asia. Our geographic proximity to Asia and that region's tremendous economic potential already make us lean westward. Now the composition of our population is about to weigh in significantly in this.

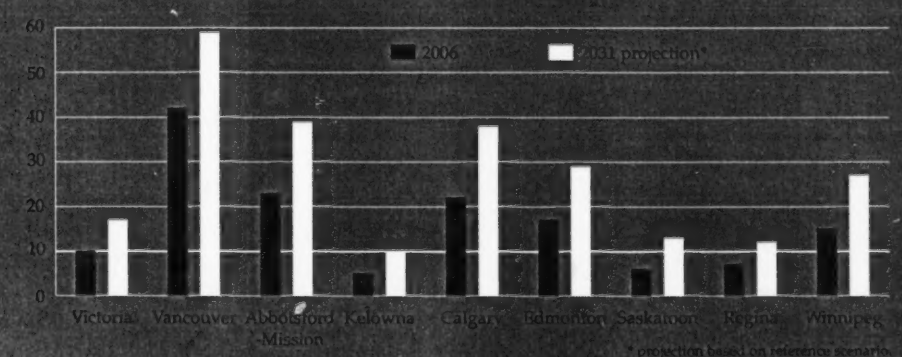
Finally, many voices are currently heard asking for a smaller role for government. Given the upcoming shift in the composition of our population, and given the key role governments can play in making sure that this shift is of a harmonious and peaceful nature, one cannot help but think that to the contrary, governments have to maintain their capacity to face challenges, especially the ones we have never seen before as a society.

Did you know?

- By province, the fastest-growing visible minority group in the West between 2006 and 2031 will be Saskatchewan's Korean community, which is expected to grow from less than 500 to 3,000.
- In the West, while it will decline in terms of its share of the total population, the non-minority population will grow in terms of absolute numbers, from 8.1 million to 9.4 million between 2006 and 2031.
- Statistics Canada's projections for 2031 are based on the "reference scenario", which assumes that current demographic trends will continue.
- The definition of visible minority groups is from the *Employment Equity Act*. Visible minorities are "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour."

Proportion of Visible Minority Populations by Census Metropolitan Area (%)

Source: Statistics Canada

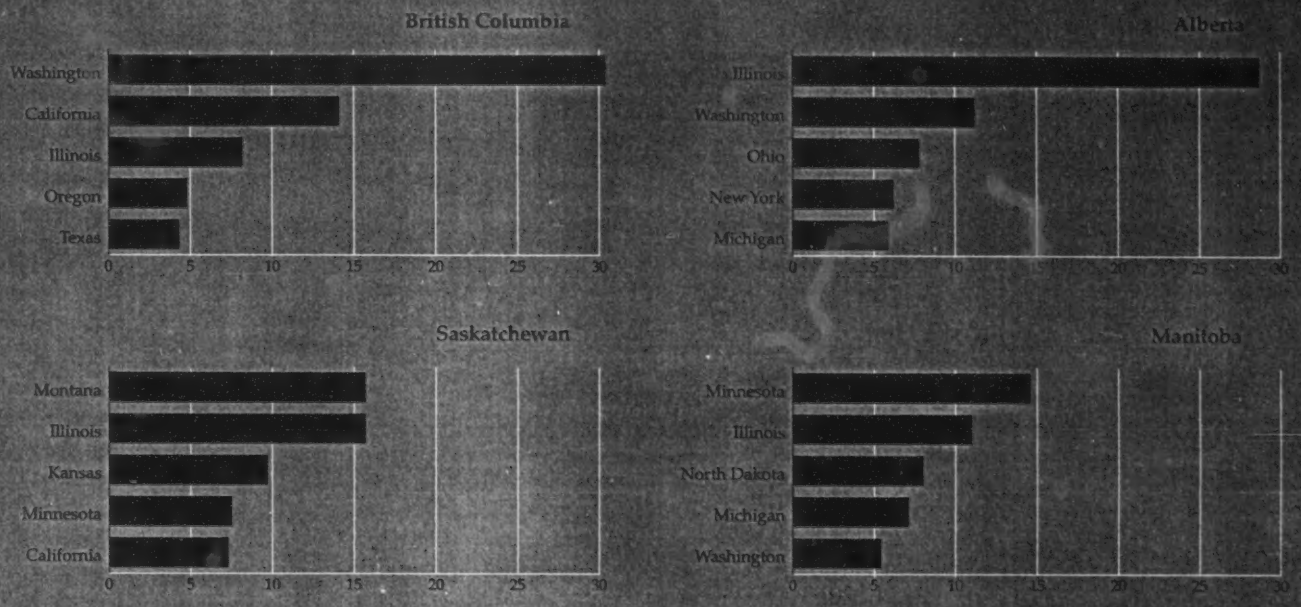


BEHIND THE NUMBERS

We all know that the United States is our largest export market, but very often that is where the story ends. The charts below show, by state, the top five destinations for the merchandise we ship across the 49th parallel. What makes some states rank high? Is it proximity to western Canada, or is it the size of the state?

Both. Despite the fact that their populations are not huge, our near neighbours in Washington, Montana and Oregon all receive a fair share of our exports (a mix of natural resources and airplane parts). At the same time, the three most populated US states (California, Texas and New York) are also on the list although not exactly next door. The surprise here is Illinois. The 5th most populated state is quite far from western Canada but an important market for our oil and gas, possibly for historical reasons – pipelines from the West first reached the Great Lakes in the early 1950s.

Top 5 Export Markets in the US, 2009 (Percent Share of Each Province's Exports to the US)



Source: Industry Canada, Trade Data Online

Industry Spotlight: Manitoba

Aerospace Industry

Manitoba's aerospace industry began in the 1930s with small bush plane repair, and has grown to include rocket launches and satellite manufacturing. The bulk of the industry is based around the manufacturing, repair and overhaul of a variety of products ranging from commercial aircraft to rockets, including their parts and components. It also includes training programs such as military pilot simulator and flight training.

Of all the industry's revenues, which exceeded $1.6 billion in 2008, 80% come from manufacturing, repair and overhaul operations while the remaining 20% comes from training.

The industry consists of four major international firms (Boeing, StandAero, Magellan and Aveos) and more than 20 national and regional firms, which employ about 5,000 people. Manitoba's aerospace industry was behind the development of other local high-tech industries, most notably composite materials. Also, it is intensely export-based, serving hundreds of companies worldwide.

Technician preparing a CF34 engine for testing.

CanadaWest FOUNDATION

opinion

by Robert Roach, Director of the West in Canada Project

Head Office:
900 – 1202 Centre Street SE
Calgary, AB , Canada T2G 5A5
ph: 403-264-9535
fax: 403-269-4776
toll-free: 1-888-825-5293
email: cwf@cwf.ca
website: www.cwf.ca

British Columbia Office:
810 – 1050 West Pender Street
Vancouver, BC V6E 3S7
ph: 604-646-4625
fax: 604-684-7957
email: kunin@cwf.ca

Saskatchewan Office:
KW Nasser Centre
256 – 3 Avenue South
Saskatoon, SK S7K 1L9
ph: 306-966-1251
fax: 306-966-8812
email: vicq@cwf.ca

Manitoba Office:
400 – 161 Portage Avenue East
Winnipeg, MB R3B 0Y4
ph: 204-947-3958
fax: 204-942-3563
email: carson@cwf.ca

Currents is published monthly by Canada West Foundation. The information contained in this report has been drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does Canada West Foundation assume any responsibility or liability. Notwithstanding the fact that effort has been made to ensure the accuracy of the information and forecasts contained herein, this report's content should not be construed as financial advice.

CANADIAN WESTERN BANK

Currents is sponsored by Canadian Western Bank. Canadian Western Bank is the largest Schedule I chartered bank with headquarters and principal operations in western Canada. Visit www.cwbank.com.

Playing the Green Card

For western Canada to be prosperous in the years and decades ahead, it has to take steps to improve its international economic competitiveness. The recession distracted us from this task, but it is time to return to sharpening our competitive edge. The potential economic growth presented by the green economy is one of several areas on which the West could focus.

But while it is naïve to ignore the advantages of getting greener, it is equally naïve to think that opportunities in the green economy will magically transform western Canada into a land of elves making hacky sacks out of hemp for the international market. The green economy is not a panacea. We should not, for example, expect green jobs to automatically fill the void that would be created if climate policy hammers the oil and gas sector.

It is also important to note that getting greener is not just about reducing greenhouse gases. There are many environmental opportunities and challenges out there other than climate change.

The West is home to one of the greatest stores of natural capital in the world. From the northern lights and diamonds to the boreal forest, from vast stores of oil and gas to the slopes of the Rockies and the lakes of Manitoba, western Canada overflows with natural beauty, natural resources, and is home to an array of ecological "goods and services." Harvesting this bounty as well as maintaining it are at the core of the region's comparative advantage and its quality of life.

There is growing awareness that economic competitiveness and environmental issues are becoming linked in three key ways: 1) jurisdictions that do not take action on environmental issues, such as reducing greenhouse gas emissions, may be penalized by a global marketplace and policy space that are increasingly demanding greener processes and products; 2) there are significant direct and indirect economic costs created by degrading a jurisdiction's natural capital (e.g., if the water supply becomes contaminated); and 3) there are opportunities to participate in new markets for green products and services, and to save money through less wasteful production systems ("eco-efficiency"). In addition, there are quality of life factors that argue in favour of greener practices that, while of value on their own, also play a role in attracting and retaining skilled labour and investment.

Conversely, it is sometimes argued that jurisdictions that do not adhere to greener practices have the advantage over those that adopt the new approaches. For example, if country X requires a reduction of greenhouse gases that adds to the price of a particular product and country Y does not, country Y has the upper hand in terms of price. While this may be true in the short-term, it is imperative that decision-makers consider the long-term and hidden costs of various policy alternatives, and that businesses adapt now to a higher standard of environmental performance rather than wait and play catch-up down the road.

Managing forest and water resources, reducing greenhouse gases, maintaining agricultural land, addressing conflicting land uses, and improving urban natural capital assets are just a sample of policy areas that have ramifications on competitiveness. An even tighter linkage between "the environment" and "the economy" than is currently in place is essential to the long-term economic success of the region.

Two policy recommendations come to mind:

1. Increase investment in the development of alternative energy production technology and generation. The West can be a global leader in energy of all types.

2. Develop and implement a comprehensive regional ecological goods and services inventory and introduce pilot projects for paying land owners to provide those services with the goal of increasing the region's stock of natural capital. There is much that the West can learn from Australia about experiments with market-based incentives for environmental outcomes. ■